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OPERATION AWARENESS

State to State

A report on efforts to reduce fraud, waste, and abuse in the Food Stamp Program

United States
Department of
Agriculture

Food and
Nutrition
Service

FNS-246

May 1984

A summary of how several States are making improvements in recovering claims and reducing certification errors in the Food Stamp Program.


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                                                    CASE ID: 08-217-695154

            ASSET GENERIC  -    CAF PAGE #9-12

    1)  DOES ANYONE HAVE CASH ON HAND? (Y/N): N
    2)  DOES ANYONE HAVE A CHECKING, CREDIT UNION OR SAVINGS ACCOUNT? (Y/N): N
    3)  DOES ANYONE OWN ANY OF THE BELOW LISTED ASSETS? (Y/N): N
   *4)  DOES ANYONE OWN ANY LIFE INSURANCE? (Y/N): N
    5)  DOES ANYONE OWN OR PAY ON ANY CARS, TRUCKS, MOTORCYCLES, BOATS,
            CAMPERS, ETC...? (Y/N): N
    6)  DOES ANYONE OWN OR PAY ON PROPERTY SUCH AS LAND, BUILDINGS
            OR HOUSES? (Y/N): N
    7)  HAS ANYONE SOLD OR GIVEN AWAY PROPERTY SUCH AS LAND, BUILDINGS OR
            HOUSES WITHIN THE LAST TWO YEARS? (Y/N): N

    CERTIFICATE OF DEPOSIT      DEFERRED COMPENSATION PLAN        MUTUAL FUND
    MONEY MARKET FUND           PENSION OR RETIREMENT FUND        STOCKS
    ALL SAVERS CERTIFICATE      NURSING HOME PERSONAL ACCOUNT     BONDS
    IRA OR KEOGH ACCOUNT        OIL COAL GAS OR MINERAL RIGHTS    TRUST FUND
    BURIAL PLAN                 SAFETY DEPOSIT BOX                OTHER

        F1 = SUSPEND TRANSACTION  -  F12 = PRINT CURRENT SCREEN FORM
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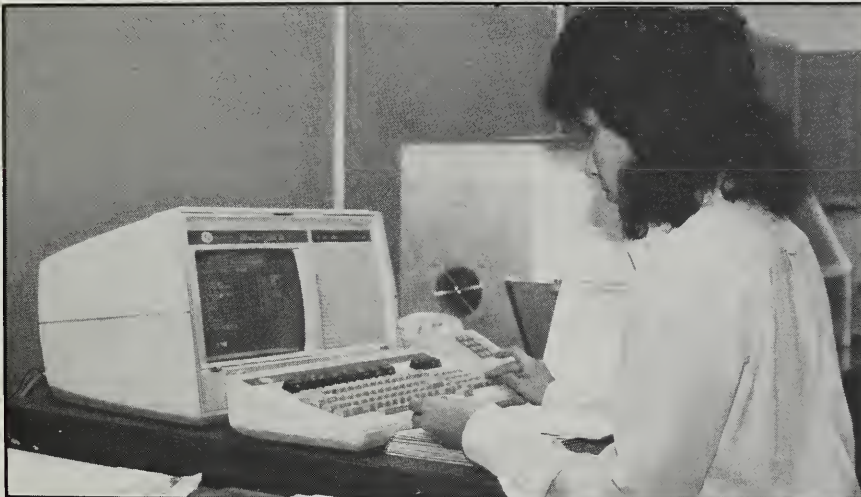
Introduction

We are pleased to present the Food and Nutrition Service's fourth report on strategies to reduce waste, fraud, and abuse in the Food Stamp Program. This issue relays more information on error reduction strategies, in keeping with this year's Operation Awareness emphasis on error prevention. There are several articles that may be helpful to you in your error prevention activities, including information on three demonstration projects that we know will be of interest to you.

We have recently reviewed the results of a full year of operation of the State Exchange Project. Topics attracting attention last year included fraud control, investigative and prosecution techniques, fraud and fair hearing procedures, and claims tracking and collection strategies. In many cases, States have been able to successfully incorporate these ideas into their own systems. I would like to personally thank each of the States that hosted a State Exchange meeting. We hope that in its second year of operation, the State Exchange Project will provide for even greater information sharing, especially in the field of error prevention.

We would like to take this opportunity to share with you some of the results of our joint efforts to combat waste, fraud, and abuse in the Food Stamp Program over the past 2 years. From 1981 to 1983, the number of fraud hearings rose 42 percent, completed fraud investigations jumped 195 percent, and fraud prosecutions increased by 93 percent. In addition, the dollar amount of recipient claims collected increased by 106 percent. We want to encourage you to keep up the good work. The challenge of making a substantial dent in our error rate deserves the same commitment of attention and resources. We are convinced that an all-out effort on prevention of errors holds great promise for making a real impact.

Virgil L. Conrad

Virgil L. Conrad
Deputy Administrator
 for Family Nutrition Programs
Food and Nutrition Service

Reducing Errors in Certification

For many States, the big news in certification is computers. Computers are not only capable of quickly cross-checking client information, but also are helping caseworkers reduce errors through "machine-assisted" interviews.

On other fronts, demonstration projects in Pennsylvania, New Mexico, and North Carolina now have results to share on using second party reviews, verification specialists, and different verification techniques to reduce certification errors.

Computers Speed Certification In Alaska, Illinois

During the 1970's, computer technology helped to modernize many welfare offices. New machines could accurately compute benefits and screen for duplication of services, freeing caseworkers from arduous math worksheets and card file searches.

Now a new age of computers promises to make certification light-years more efficient through machine-assisted eligibility interviews and verification of many kinds of data while the client is in the office.

States like Alaska and Illinois are experimenting with online verification, a method of electronically cross-checking unemployment compensation, residency, or other data at the point of application. This kind of checking can prevent errors before they get into the system, saving money, time, and energy from being spent later in claims collection and fraud investigations.

States can also use the systems to manage their programs better. The computers can improve employee accountability and workload monitoring. They can automatically send out monthly reports and issuance notices, and can check for errors of logic in casefiles.

Alaska

A pioneer in making the most of the new computer technology is Alaska. Its online Eligibility and Issuance System (EIS) for food stamps and Aid to Families with Dependent Children (AFDC) is currently being used in much of the State and will be fully implemented next month. Alaska estimates the system will save about $1.4 million annually by preventing food stamp errors that result from unreported income and changes in household size, as well as mathematical or policy mistakes.

The system will also cut down on errors resulting from mandatory monthly reports. It can generate the monthly reports and keep track of all the information that comes in on them. An eligibility worker can then compare it online with information from the following month, and make

changes online. In fact, the computer will not allow a benefit to be issued unless an eligibility technician authorizes it, based on a monthly report.

Other errors can be prevented by the "front end" screening of information at the time a client applies for food stamps. When an applicant comes to the welfare office, a clerk can enter into the computer basic information the client provides on the first two pages of the application. Background on current or prior contacts with the welfare system, and a special alert if the person has been disqualified for fraud, will appear on the screen.

At the eligibility interview, the caseworker can enter the remaining information from the application into the computer terminal on his or her desk. All of the elements of identification can then be screened. If the social security number has been used by anyone else in the State, the worker will know it instantly. If the employment the client reports is different from what the State department of labor is reporting, an alert will go to the

worker online. Once the information is entered, the computer can calculate the benefits for both food stamps and AFDC accurately.
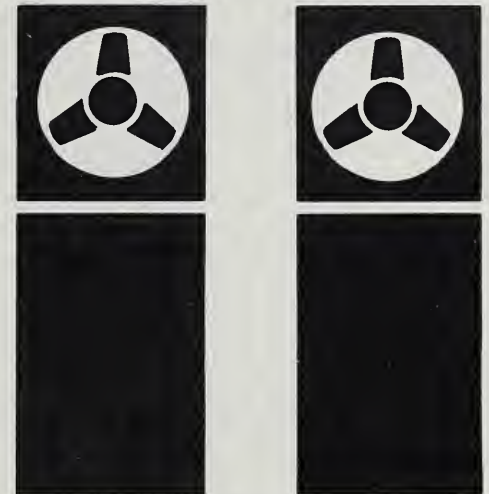
◢ For more information contact: Eric Hanson, EIS Project Director, Alaska Department of Health and Social Services, (907) 465-3355.

Illinois

Other States are testing the new technology as well. Illinois, for example, has a computerized certification system up and running on a pilot basis in three welfare offices located in Chicago and Springfield. The system uses a combined application for food stamps, AFDC, Assistance for the Aged, Blind, and Disabled, and Medical Assistance.

At the Illinois test sites, applicants don't even have to fill out application forms. The receptionist enters their name and reason for visiting the office, and determines if an acting or pending case exists. Then a "screener" asks the client about 30 questions and enters the answers into the terminal. A printer prints

out what's known as a "name file search" at this point. This shows whether a client has ever gotten assistance in the State before. A second search matches the data supplied by the client with information from the State's department of labor on prior work history and receipt of unemployment insurance.

The new system saves time, according to Springfield employees. All Illinois counties must run these same clearances, but most have someone sit at a keyboard, plug in the information, and ask for clearances. With the new system, clearances come back automatically, and right while the client is at the interview.

In the last phase, the client meets with the eligibility worker, who asks questions as they are displayed on a computer screen. The worker types in the answers and the documentation provided. The computer even tells whether the documentation is sufficient. In this way, the new system makes the handling of cases more consistent, because it eliminates some of the subjective decisions that a caseworker must make in determining eligibility.

After this interview, a high-speed printer types out a summary of the questions and answers. The applicant signs this form and it becomes a part of his or her file.

◢ For more information contact: Tim Grace, Food Stamp Director, Illinois Department of Public Aid, (217) 782-1355.

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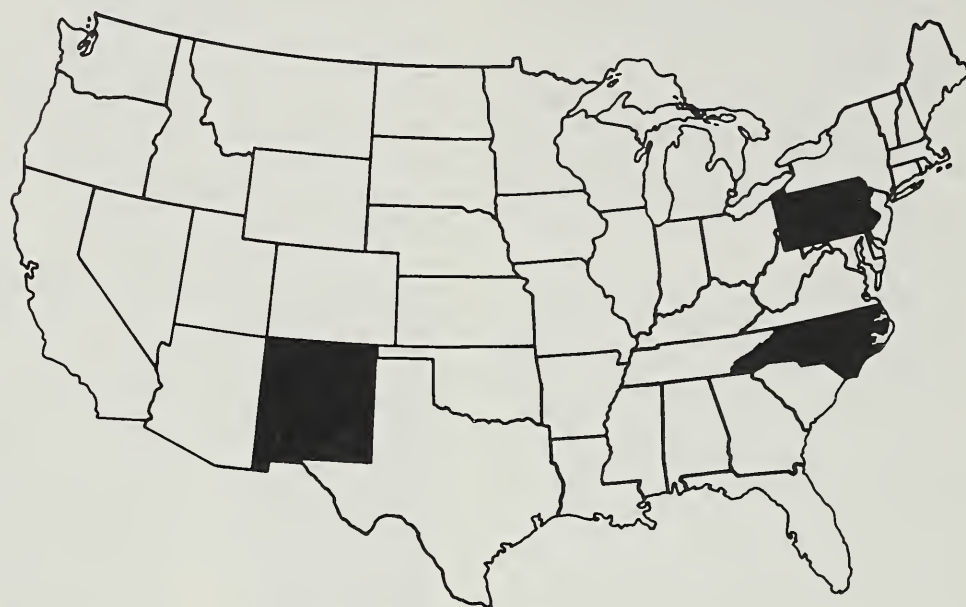F1 = SUSPEND TRANSACTION - F12 = PRINT CURRENT SCREEN FORM
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The Illinois Department of Public Aid is testing a combined application for persons applying for food stamps, AFDC, and SSI. Questions asked of applicants come up on a computer screen at an eligibility worker's desk. The worker then types in the answers and a high-speed printer types out a summary.

Demonstration Projects Net Results

Demonstration projects in several States are helping to identify cost-effective ways to reduce certification errors. Under grants from the Food and Nutrition Service, some States have zeroed in on strategies that have worked for them, and that might work for you.

A report is available from FNS that compares several error reduction projects, including the three discussed in this report. It is entitled *Error Reduction Strategies in the Food Stamp Program: Findings of the 1981 Demonstration Initiative* and was prepared by the Research Triangle Institute in North Carolina. To obtain a copy, contact the Food and Nutrition Service national office, Policy, Support and Training Branch, at (703) 756-3457.

Pennsylvania

Like many States, Pennsylvania has been searching for a cost-effective way to reduce its agency-caused error rate. In April 1982, using grant monies from the Food and Nutrition Service, the State began a demonstration project in Philadelphia County. The test lasted for 11 months and sought to identify the most frequent types of agency errors being made during the eligibility process. It also explored the cost effectiveness of using a second party review system to help caseworkers catch errors. In addition to second party reviews, some supervisors were also given training. A control group received neither the reviews nor the training.

The demonstration project found that over 90 percent of its agency errors occurred in six error categories. The State was also able to determine a percentage for each error category as follows:

Second party reviews, with or without attendant supervisory training, effectively reduced almost two-thirds of all caseworker errors, the demonstration project found. The reviews were conducted before benefits were authorized, reducing dollar errors and the need for subsequent claims recovery. But, because the dollar loss associated with these errors was quite small, the study did not show the second party review system tested to be cost effective. The procedure cost more than it saved.

Pennsylvania has a modified second party review system now in use in four countries. Second party review teams, in conjunction with the AFDC Program, are sent out to offices that have high agency error rates. The teams stay with the offices until their error rate remains at or below 4 percent for at least 4 consecutive months. The reviewers focus on household size and composition, deductions, arithmetic computations, and, where possible, categories recommended by the offices being assisted.

■*For more information contact: Christina Bowser, Pennsylvania Department of Public Welfare, (717) 657-4317.*

New Mexico

From April 1982 through February 1983, four counties in New Mexico took part in a demonstration project to test techniques of verifying house-

Error Category	Percent of Agency Errors
Social security number	28.2
Work registration	21.1
Residency	9.8
Earned income	8.1
Other unearned income	5.7
Deductions and computations	17.6

New Mexico's demonstration project team tested ways of verifying household circumstances. (Standing, left to right) Maria Vasquez, Geraldine Garrison, Ellen Covey, and Charlotte Gomez conducted the test, under the direction of Nick Padilla and with the assistance of Debbie Duran, (seated).

hold circumstances—household size and composition, wages and salaries, social security benefits, and nonincome-producing property.

The project used four different methods of verification, including home visits, historical case record reviews, collateral contacts designated by the client, and collateral contacts generated by the caseworkers.

New Mexico found that the four verification techniques varied in their effectiveness depending on the type of error involved:

In the course of the demonstration project, New Mexico also analyzed the cost effectiveness of the verification techniques. The test found that collateral contacts, using the contacts designated by the household, were the most cost-effective approach to reducing errors related to household circumstances. Collateral sources developed by caseworkers were more expensive and were not found to provide more accurate information than the collateral contacts designated by the households. Home visits were not found to

be cost effective, with $18.78 being spent per case with a discovery of $11.40 in error.

As a result of the demonstration project, New Mexico now has a statewide verification program for error-prone cases. It uses collateral contacts designated by the household. The contacts are interviewed every 3 months throughout the period of eligibility.

■ *For more information contact: Marilyn Manges, New Mexico Department of Human Resources, (505) 827-4184.*

North Carolina

From May to October 1982, Mecklenburg and Brunswick Counties in North Carolina used FNS grant monies to study whether it would be cost effective to use "verification specialists" to interview and certify error-prone households. A verification specialist is an experienced caseworker who conducts longer-than-average interviews of applicants while employing intensive verification techniques. The study found that this particular strategy is cost-effective, and if implemented statewide, would produce a projected net savings for counties exceeding $200,000. In fact, Mecklenburg County has reduced its sanctionable allotment error rate among error-prone households by 42 percent.

How did they do it? The counties, in conjunction with the Research Triangle Institute (RTI), first developed an error-prone profile. An examination of the State's quality control data indicated 10 percent of the caseload accounted for nearly 65 percent of the dollar losses. Large households accounted for 36.8 percent of the dollar errors but comprised only 18 percent of the caseload. The breakpoint seemed to be households of five or more. Nearly 22 percent of these households had errors in excess of $50. Thus, the decision was made to assign households with five or more members to the verification specialists.

In Mecklenburg County, the verification unit consisted of five caseworkers, one clerk, and a

Error Type	Most Effective Technique
Wages and salaries	Home visits
Nonincome-producing property	Home visits
Household size and composition	Outside collateral
Social security numbers	Case record review
All four as a whole	Home visits

supervisor. Since Brunswick County is a rural area with a small caseload, only one caseworker was assigned the role of verification specialist.

All verification specialists handled a much smaller caseload than other caseworkers. Their interviews with applicants were longer and involved more verification than the norm.

Since households identified as error prone via statistical analysis may be required to furnish additional verification, no waivers to existing regulations were required.

The staff in Mecklenburg County developed a worksheet that centered on all monthly household expenses rather than allowable food stamp deductions. Much of the intensive interview and verification activity focused on the households' management of expenses. The clerk assigned to the Mecklenburg verification unit routinely checked property tax records, motor vehicle records, and school records. Home visits were rarely used.

The cost of this special case-handling was about double the cost of processing a normal case. But the results were impressive. In Mecklenburg County, the error rate of error-prone cases declined by 31.5 percent. RTI projected that if all counties achieved a reduction comparable to Mecklenburg's, over $3.3 million in allotment costs would be saved statewide.

North Carolina is now using verification specialists throughout the State to interview and certify all error-prone households, including any household consisting of five or more members.
■For more information contact: Larry Goolsby, North Carolina Department of Human Resources, (919) 733-4570.

Hawaiian Caseworkers Reduce Errors
One problem many States have in common is how to avoid making the same certification errors over and over. Since June 1982, Hawaii has been working to solve this problem by using a

new corrective action technique that has helped reduce the State's cumulative allotment error rate from 9 percent to 6.3 percent in just 6 months. The technique itself is very simple, and uses elements of the Japanese idea of a "quality circle."

For every error found in a quality control review, the worker responsible must analyze the cause of the error—be it procedural, such as filling out an input document incorrectly, or substantial, such as misinterpreting a policy—and submit a written report to the unit supervisor. That analysis must go beyond simply correcting the individual case error. The worker must determine the *cause* of the error, and this often involves contacting the client to discuss the error.

But it doesn't stop there. At monthly unit meetings, the caseworker must make a presentation to the entire unit on the case, the type of error, its cause, and how that error can be prevented.

What Hawaii has found is that when one worker makes an error, the cause of the error is often present throughout the unit. For instance, if a worker incorrectly interprets a policy and, as a result, commits an error, often others in the unit are suffering from the same misunderstanding. The cause of that policy misinterpretation might be lack of training in a specific area or because the supervisor misunderstands a policy and is passing it down to workers incorrectly. Whatever the reason, the unit-wide presentation has the effect of eliminating not one error but many errors of the same type.

In another instance, one group of caseworkers realized that

many procedural errors were occurring near the computer deadline, as they rushed to complete input documents. Armed with this information, the unit developed a plan that staggered the workload, doing recertifications earlier in the month and avoiding the end-of-the-month crush.

At first, the new error analysis system took some getting used to on the caseworkers' part. But Hawaii's management has tried to maintain a nonjudgmental atmosphere in the unit meetings so that caseworkers don't feel picked on. And, by sharing their experiences and analyzing their own errors, caseworkers have found that they now are much more aware of the part they play in the system. They are also seeing that what they're learning is not only helping them reduce their own errors but, surprisingly enough, is also cutting the incidence of "client errors."

This new error analysis system is in use in all local offices throughout Hawaii. The system is a small part of Hawaii's overall corrective action strategy but it seems to be having a considerable effect on their error rate.
■For more information contact: Christina Lam, Hawaii Department of Social Services and Housing, (808) 548-0660.

Claims—Getting Back What Recipients Owe

Keeping track of claims can be one of the more difficult administrative tasks in operating the Food Stamp Program. Usually there are so many different departments and divisions involved in processing claims that the simple act of knowing where a specific case is at a given moment is almost impossible.

Some States, such as New Jersey, have found placing responsibility for recovering claims in one unit to be a great help. Other States, like Arizona, are finding that minicomputers can be an inexpensive, yet effective, aid in organizing and tracking recoveries.
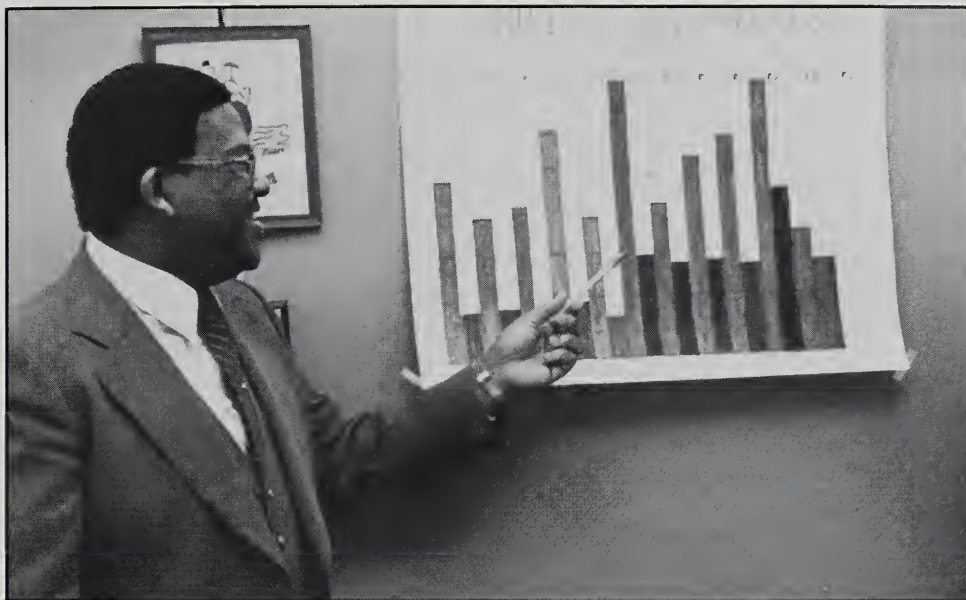
Tried and True Methods Boost New Jersey Collections

A concentration of efforts on the part of New Jersey's State claim unit and county welfare agency personnel has made New Jersey one of the Nation's leaders in the collection of recipient claims. New Jersey currently ranks eighth nationally in dollars collected for recipient claims.

The State's commitment, combined with new food stamp regulations on fraud and claims collection, has dramatically increased New Jersey's collections. During 1980, the State collected $149,000 in food stamp claims. By the end of 1983, this annual amount increased to more than $1.2 million.

Burlington County, located in southern New Jersey, has made a significant contribution to the State's overall success. Although the Burlington County welfare office handles only a medium-sized food stamp caseload, it ranks second in the State in total monies recovered from food stamp claims. The County also ranks first in the State in the collection of "agency error" overissuances.

Burlington County's success can be attributed to its decision to locate all responsibility for

Victor Waller, supervisor in the Burlington County welfare office, points to an impressive increase in collections activity. Burlington County ranks first in New Jersey in the collection of "agency error overissuances," and is second in the total monies recovered from food stamp claims.

claim actions in one unit. From the point that a potential claim is identified, total responsibility for all actions belongs to the collections unit. These actions include: determining the amount of loss, preparing the claim, referring claims to legal agencies, meeting with and arranging payment schedules with clients, maintaining fiscal records, following up on existing claims, and reporting to the State claims unit.

County welfare personnel believe that the collections unit has been especially successful due to its rapport with the legal, fiscal, and income maintenance units. Burlington County also tries to run its collections unit as much like a private collection agency as possible.
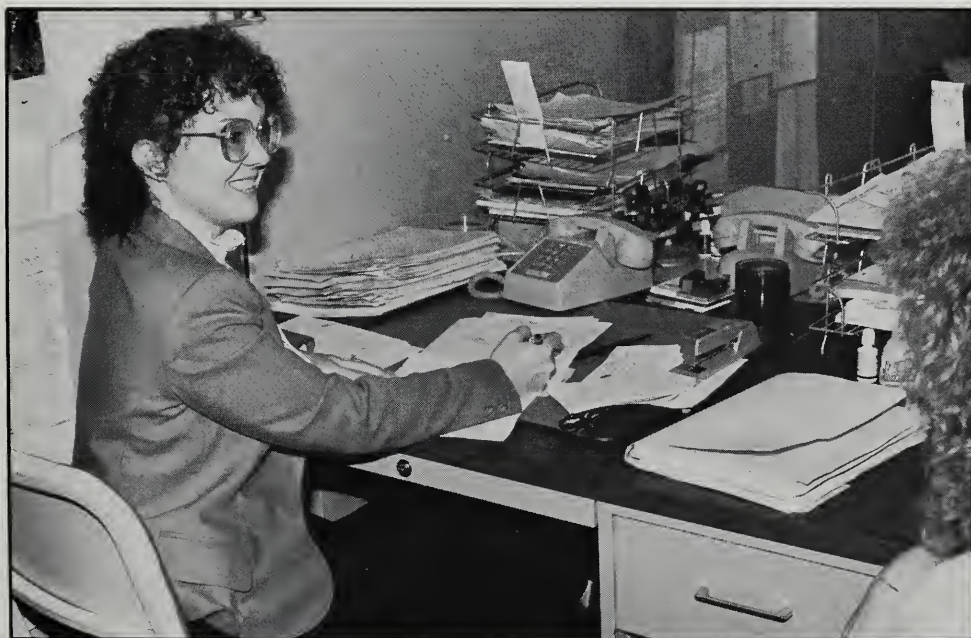
The County's collections unit also believes that the February 1983 food stamp regulations allowing recoupment of allotments and waiving of administrative fraud hearings have increased the amounts collected. The agency has also benefited from New Jersey's Set-Off Individual Liability (SOIL) program. The SOIL program allows the collections unit to offset food stamp claims against State income tax refunds and homestead rebates.

Burlington County's future plans include a data processing system that will automate many of its manually completed processing procedures.

■For more information contact: Pat DeMarzo, New Jersey Department of Human Services, (609) 633-6050.

Automation Helps Arizona Keep Tabs on Claims

Many States find claims recovery to be an overwhelming administrative task. For Arizona, help arrived in 1983, in the form

Maureen McGlashon, of Burlington County's collections unit, works with a client to set up a payment schedule.

of a Basic IV minicomputer. Since implementing its automated tracking system, Arizona has increased its recoveries 22-fold—from $450 a month to $10,000 a month.

Under its old system, there was no way for the State's recovery unit to tell where a given case was. If a quality control review, audit, or management evaluation found an overissuance, a report was sent to a local office to investigate and establish a claim. But there was no tracking system to follow up with the local office if the report was not returned within 30 days. Similarly, several different documents or duplicate documents on a claim might be sent to different branches of the State government simultaneously. This muddled the chain of decision on the claim and obscured the exact status of the case.
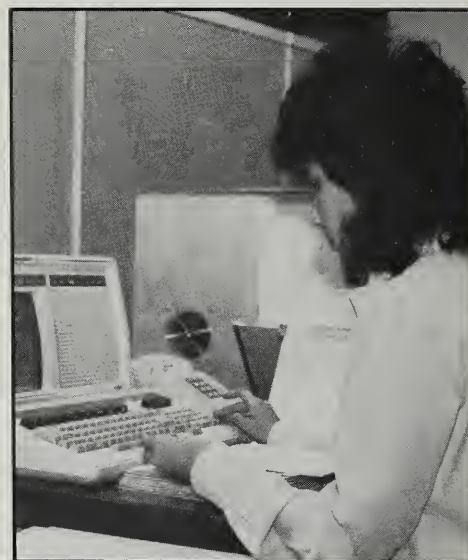
Under the new system, a minicomputer makes Arizona's Restoration and Recovery Unit (RRU) the hub of the entire process. Only one claim file is created, and its location is logged onto the computer by a clerk before it is sent anywhere. When a file is sent to a local office for follow-up, that information is recorded. Likewise, when the file returns to the RRU from the local office,

that information is logged onto the computer even before the file is forwarded to an RRU worker for action.

Even though this might seem to be a more circuitous and time-consuming route for paperwork to travel, the system has proved to be almost foolproof in accurately locating case files.

The Arizona system is very simple to set up. The computer software used to structure the system is part of a standard sales/accounts receivable package that's easy to adapt to monitor food stamp claims. The system contains 23 primary data fields which can be used to record the case name, address, Social Security number, the local office that carries the case, the status and dollar value of the claim, and, most importantly, who is currently holding the claim. Arizona uses a secondary field to record historical data on each case.

The usefulness of the minicomputer is more than as a glorified recordkeeper, however. The system has the flexibility to generate a number of reports, flag delinquent cases, pinpoint local offices that are not taking action on claims, calculate productivity reports for workers and offices, and generate accurate

Lydia Sermeno, of Arizona's Restoration and Recovery Unit, uses the Basic IV word processor to enter data on a claim. Arizona has been able to increase the number of claims recoveries 22-fold, since introducing a new automated system.

data on the value of claims at different stages of processing.

Arizona's new system has also been enhanced by the addition of new staff to establish and monitor claims. In several of the large local offices, Arizona has designated one full-time staff member to process claims. This means one staff member, well versed in claims and program rules, is now available for calculating the claim amount.

For Arizona, adding extra staff to process food stamp claims was made possible because those positions in the central office were eligible for 75 percent funding from FNS. The computer system provides the support so the increased staff is used efficiently.

Arizona has developed a handbook that describes their procedures in more detail.
■*For a copy of the handbook, or more information contact: Diane Ross, Arizona Department of Economic Security, (602) 255-5137.*

Members of the FNS training section tape "Let's Get Interviewed," an inhouse production for eligibility workers on interviewing skills. The videotape includes a segment structured like a television game show, with contestants, game board, and bell. For more information contact: Joseph H. Pinto, FNS National Office, (703) 756-3471.